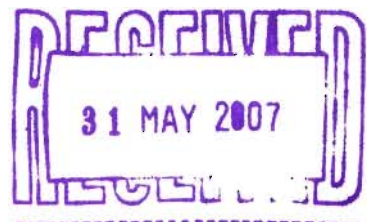


Project Report On

*Bangladesh Krishi Bank
Credit Recovery and Disbursement*



Prepared By

Shek Mushfiqur Rahman

2003-2-10-007

Program: BBA

Major: Finance

Prepared For

Instructor: Dr. Tanbir Ahmed Chowdhury

Professor & Coordinator of MBA, EMBA Program

East West University

Date of submission

26/04/2007



January 15,2007

Dr. Tanbir Ahmed Chowdhury
Professor & Coordinator
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To,
Shek Mushfiqur Rahman

Dear Mr. Mushfiqur Rahman

Letter of Authorization

It gives me great pleasure to assign you to write your Project Report on "**Credit Recovery and disbursement of Bangladesh Krishi Bank Ltd**". The report is to be submitted by 26 April 2007 as par of your Project (BUS 498) requirements. This letter can be used as an aid by you when and where necessary for the purpose of collecting information(s) for writing the report.

You can contact me for any help or support or inquiry that you might have during the making of the report.

Sincerely,

Dr. Tanbir Ahmed Chowdhury

Letter Of Transmittal

Dated: 26/04/07

Dr. Tanbir Ahmned Chowdhury
Professor & Coordinator of MBA, EMBA Program
Department of Business Administration
East West University
Dhaka

Subject: Submission of Project Report.

Sir,

This is a pleasure for me to submit the report on “**Credit Recovery and Disbursement of Bangladesh Krishi Bank**” which is partial requirement of my BBA program.

In the preparation and to complete the report I have tried my level best to show my skills and potentiality to craft a good report.

Now I will solicit your attention for my report.

Sincerely yours,



Shek Mushfiqur Rahman

2003-2-10-007

Program: BBA

Major: Finance

East West University

Dhaka

Acknowledgement

First of all I would like to thanks Almighty Allah for helping me to complete the report. I express my sincere gratitude to Mr. Kabir Hossain Senior principal Officer of Bangladesh Krishi Bank Narayangonj Branch and the employee of that branch who were very helpful gave their valuable time to giving information related to the bank.

I express my special gratefulness to my Instructor Dr. Tanbir Ahmed Chowdhury Professor & Coordinator of MBA, EMBA program of East West University for his special support and guideline.

At last I would like to thank all of my friends who helped me too much to complete this report.



Executive Summery

Bangladesh Krishi Bank (BKB) has been established under the Bangladesh Krishi Bank order 1973 (President's Order No 27 of 1973). BKB is Banking Company under the Banking Company Act-1991. In today time BKB has the most Number of Branches in comparison with other bank located in Bangladesh. In my report I only work in the “Loan Recovery and Disbursement” of Bangladesh Krishi Bank. This report has seven chapters focusing in overall condition of loan recovery and disbursement. Chapter 1 discuss about the Introduction of the BKB in chapter 2 we talk about about the Overview of the bank which consists Organogram of BKB. In chapter 3 we highlight the Credit policies and activities of BKB and chapter 4 we done the ratio analysis in brief form. Strength and achievement of BKB are confer in chapter 5 and problem in credit department are shown in chapter 6. In the last chapter we recommend and conclude the report.

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Chapter 1

Introduction

1.1 Introduction:

The major occupation of the people of Bangladesh is "Krishi". Krishi is a Bengali word which means "Agriculture". About 73% of the population depends directly or indirectly on agriculture which contributes a significant portion to GDP.

Bangladesh Krishi Bank (BKB) has been established under the Bangladesh Krishi Bank order 1973 (President's Order No 27 of 1973). BKB is Banking Company under the Banking Company Act-1991. Its Head Office is located at Krishi Bank Bhaban,83-85 Motijheel Commercial Area, Dhaka-1000, Bangladesh. Krishi bank has started commercial functioning since 1977 to generate more loan able fund from the idle rural and urban savings and invest them for the betterment of our economy.

1.2 Origin of the report:

Project creation and submission is the last part of my BBA program. Without completion of project I can't able to complete my BBA program. This report are focusing on the Credit disbursement and recovery of Bangladesh Krishi bank(BKB).

1.3: Objective of the study

- » To present an overview of BKB
- » To appraisal of the credit policy and activities of BKB
- » To appraisal of the financial performance of BKB
- » Problem relating to credit activities of BKB
- » Problem relating to financial performance of BKB
- » To suggest suggestion for improving credit and financial performance of BKB

1.4: Scope and Methodology of the study

There are certain boundaries to cover the report. To achieve the objectives of the report. In this report I tried to analyze the credit activities and financial performance of BKB. For this purpose I have collected primary and secondary data for last 5years.

In the preparation of the report I have used Annual report and different journal. We also conduct face to face conversation with employees of BKB.

1.5: Limitation of the study

- » Time was very limited to prepare the report.
- » Employees was very busy to give their valuable time.
- » Management doesn't want to disclose secret information.

Chapter 02

Overview of the Bank

2.1 An overview of Bangladesh Krishi Bank

Bangladesh Krishi Bank has been established as a full Government owned bank under Presidential Order 27 of 1973. The primary objectives of BKB is to provide credit facilities to the farmer for the development of agriculture and entrepreneurs engaged in development of agro-based as well as Cottage industries. The bank is guided in accordance with the policies and principles of the Government of the Peoples Republic of Bangladesh. The main function is to sanction loan to individual and corporate body related to the followings-

- » Production of crops
- » Purchase of Irrigation Machinery and Equipment
- » Development of Horticulture
- » Pisciculture and finally
- » Animal Husbandry



2.2 Capital structure of BKB is given below:

(Amount in Crore)

Serial number	Item	2002-2003	2003-2004	2004-2005
01	Authorized capital	200.00	200.00	200.00
02	Paid capital	140.00	135.00	150.00
03	Reserve	119.57	170.00	195.50
04	Deposit	4461.10	4550.00	5050.00
05	Net profit	(133.28)	(205.00)	(185.00)
06	Loan disbursement	1668.67	1964.14	2279.00
07	Recovery	1920.31	1291.09	1465.75
08	Loan outstanding	5339.67	5530.00	5650.65
09	Borrower(in thousand)	2838	844	1109
10	Number of branches			
	a. Urban	130	130	130

	b. Rural	791	791	791
11	No. of employees	11285	11365	11285
12	No. of regional office	50	49	50

▶ BkB has an authorized capital of Tk. 2000 Million only and paid up capital Tk. 2000 Million only which is fully paid by the government.

▶ Bank has started commercial functioning since 1977.

▶ The bank operates its function through 938 branches (Rajshahi Division) of which 808 rural and 130 are Urban.

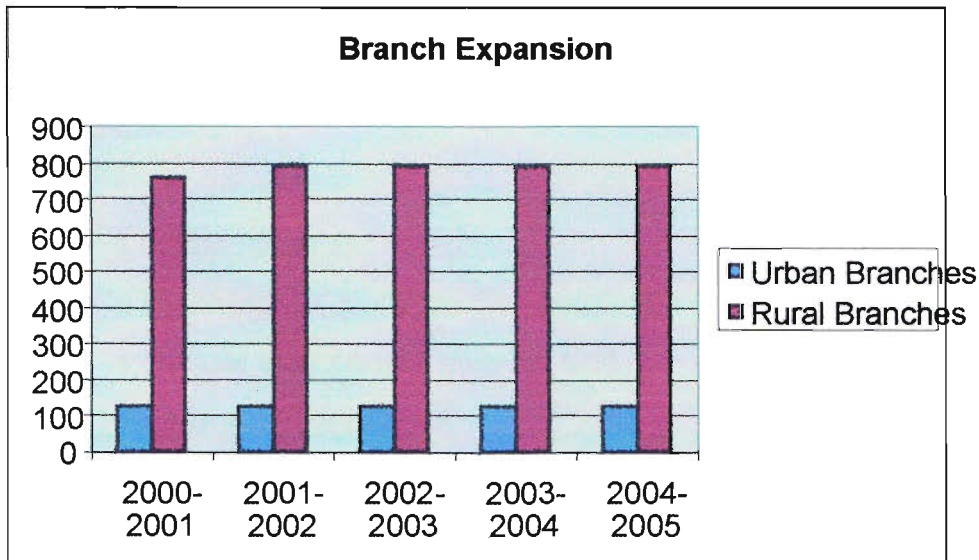
▶ It has 14 Foreign exchange (Authorized Dealer) branches.

▶ In the field level the bank has 8 divisional and 51 regional offices for close supervision of the branch activities.

▶ for smooth working bank has also 56 field level audit offices at divisional and regional levels.

2.3 Trends of branch Expansion of BKB

Year	Urban Branches	Growth rate	Rural Branches	Growth Rate
2000-2001	130		759	
2001-2002	130	0%	791	32.00%
2002-2003	130	0%	791	0
2003-2004	130	0%	791	0
2004-2005	130	0%	791	0



▶ In the head office the bank has three division 26 departments Headed by General Manager and deputy General Manager respectively.

▶ The bank has 10597 employees as on 30 June 2005.

▶ The bank has a Board of Director comprising of 11 members headed by a Chairman.

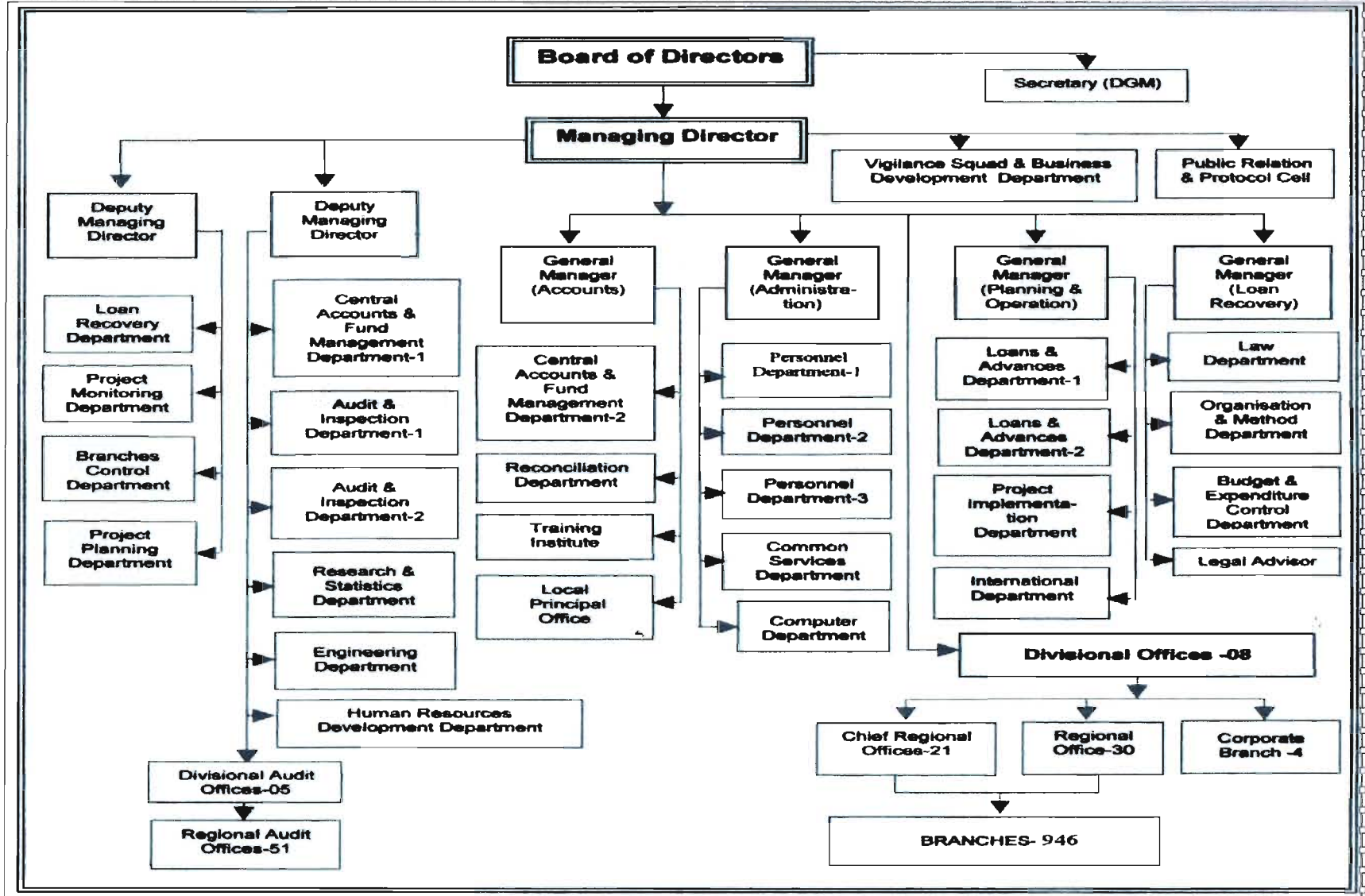
▶ The director represent both public and private sector and are appointed by the Government.

▶ The managing director is the Chief Executives of the Bank is appointed by the Government.

▶ In the Head Office there are four division headed by General managers. And the division is:

- ◆ Administrative Division
- ◆ Planning & Operation Division
- ◆ Budget & Accounts division and
- ◆ Loan recovery Division

2.4 In the next page the Organogram Of BKB are shown:



2.5 Types of deposit

Bangladesh Krishi Bank offers different deposit banking facilities like Savings Bank Account, Current Deposit Account, and Short Term Deposit Account & Fixed Deposit Account. But the bank doesn't provide much deposit schemes as other bank of Bangladesh. In the following table we will see the deposit Interest rate and period of deposit.

<i>Name of the Account</i>	<i>Period</i>	<i>Rate of Interest</i>
Savings Bank Account	----	5.00%
Short Term Deposit (STD) Account	----	3.50%
Current Deposit Account	----	0.00%

Fixed deposit Receipt Account

FDR 1	3 months and above but less then 6 months	7.00%
FDR 2	6 months and above but less then 1 year	7.50%
FDR 3	1 year and above but less then 2 years	7.75%
FDR 4	2 years and above (Maximum 4 years)	8.00%

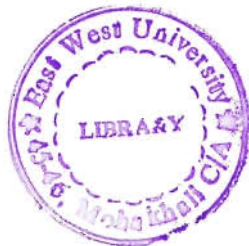
2.6 Types of Credit

Bangladesh Krishi Bank provide different kinds loan especially in Agriculture sector of our country. These loans have low interest rate which facilitates our people who involve in agriculture. In this section of report we will discuss about the different types of loan that BKB offer:

Credit Programs

BKB finances the following seven sectors, which are given below:

1. Crop
2. Fisheries
3. Live Stock
4. Agro-equipment and farm machineries
5. Agro processing industries
6. Continuous Loan
7. Poverty Alleviation and Micro Credit Programs
8. Special Recovery Activities/ program



CORPORATE FINANCING

The Bank has started financing to renowned corporate bodies of the country for the last 2/3 years. This has opened a new arena of utilizing Agri-product marketing channel of the companies in easy terms and at a lower interest rate. Such companies are:

- 1. PRAN GROUP (Agriculture Marketing Company Ltd.)**
- 2. SQUARE GROUP (Square Consumer Products Ltd.)**
- 3. PARTEX GROUP (Partex Furniture Ltd.)**
- 4. SUPREME SEEDS**
- 5. PADMA GROUP**
- 6. P.H.P GROUP**
- 7. T.K. GROUP**
- 8. ISPAHANI GROUP**
- 9. SA GROUP**
- 10. K.D.S GROUP**
- 11. CITY GROUP**
- 12. S. ALAM GROUP**
- 13. MEGHNA GROUP**

Chapter 3

An Appraisal of the Credit Policies and Activities of BKB

3.1 An Overview of credit policies and Activities of BKB

Agriculture is the most important and profitable sector in Bangladesh. All of our economic activities have been developed based on agriculture. In this case Bangladesh Krishi bank is the leading financial institution for financing in agriculture.

3.2 Credit Policy of BKB

Bangladesh krishi bank in fiscal year 2002-2003 decided to prepare a five years plan to disburse loan in different sector. The key point of their planning is given below:

- ▶ To develop and expansion of agriculture the bank will provide loan to all agro-based sector which involve in Agriculture.
- ▶ To facilitate, modernized, profitable of and to improve the life style of rural people BKB will pay special attention to the 7 sector such as: Crops, Fisheries, Live stock, Agro-equipment and firm machineries, Agro based industries, Continuous loan, Poverty alleviation and Micro-credit program.
- ▶ To identify different sector which increase the price of agro product and distribution BKB work for those sector and give loan to improve the situation.
- ▶ To face the growing amount of loan demand in every year BKB will increase the amount of loan disburse in the agricultural sector.

3.3 BKB Credit Financing In different year

Table: 3.3.1

Year	Loan Disbursement(Amount in Crore)	Change	Growth rate%
1998-99	1590.23		
1999-2000	1539.38	-50.85	-3.1976507
2000-2001	1782.34	242.96	15.782978
2001-2002	1563.18	-219.16	-12.296195
2002-2003	1668.67	105.49	6.7484231
2003-2004	1964.14	295.47	17.706916
2004-2005	2279.64	315.5	16.06301

In the above mention table we can see that BKB's loan disbursement decrease 3.19% from 1998-1999 to 1999-2000. In the next following year it increases by 15.78% and in 2003-2004 loan disbursement stand Tk.1964.14crore and it increases by 16.063% in 2004-2005.

Growth rate

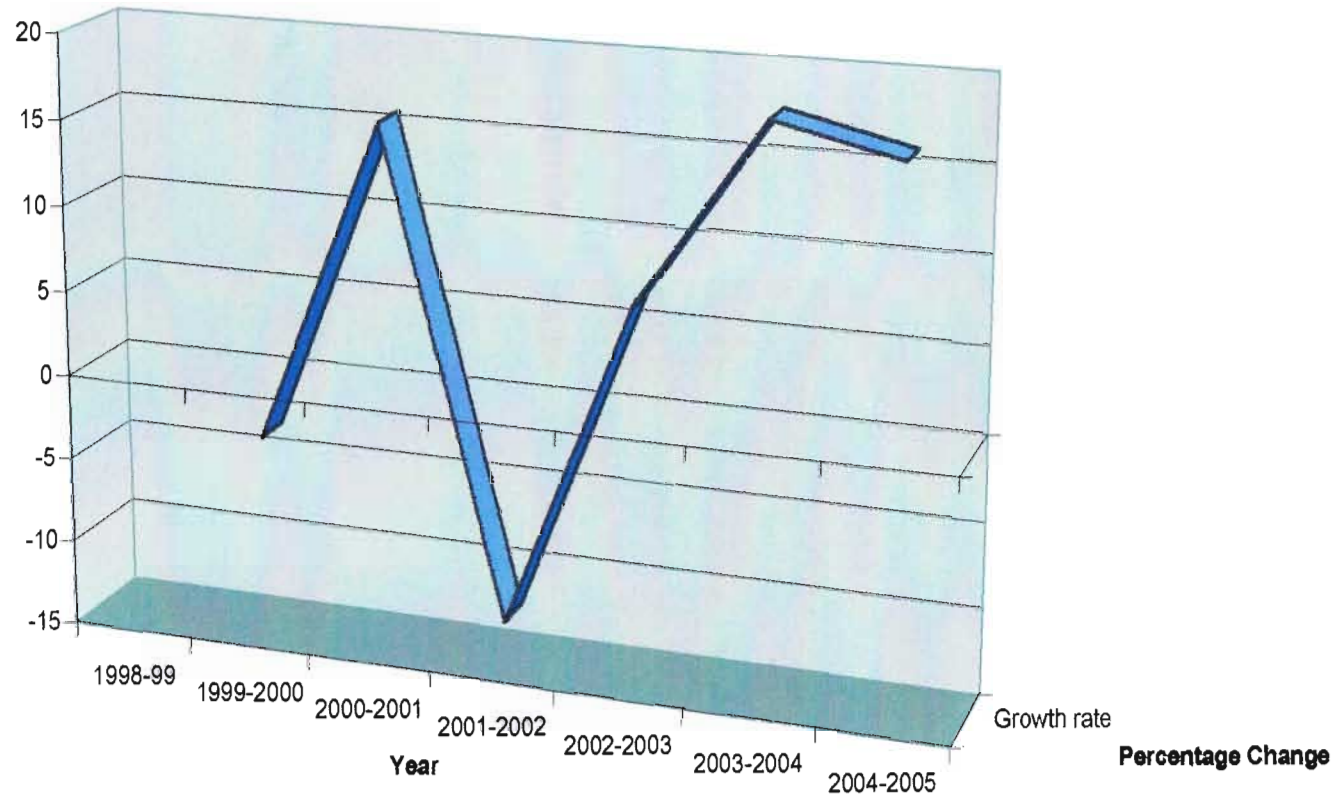
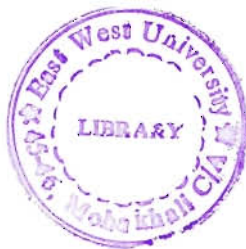


Table of loan recovery In Different year

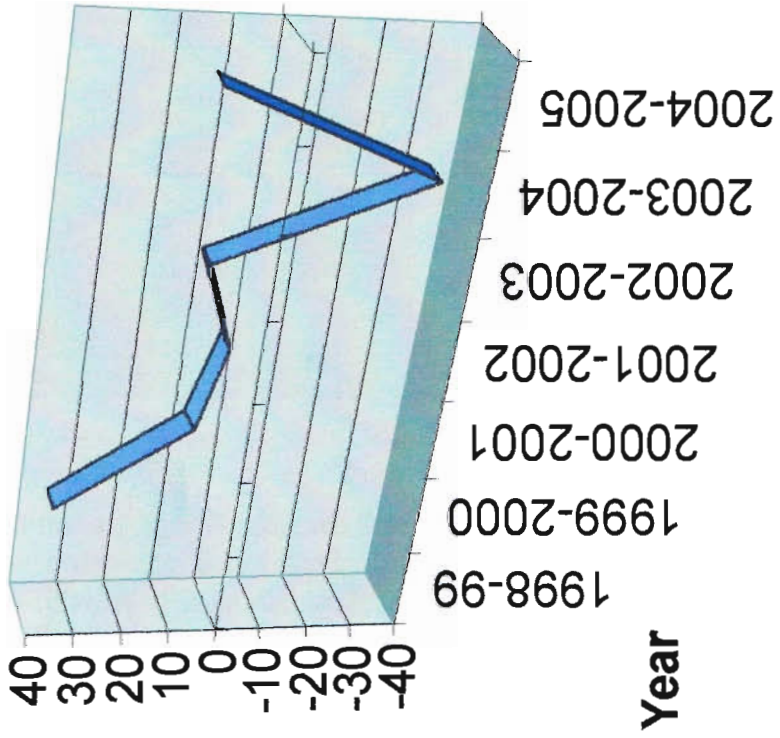
Table: 3.3.2

Year	Loan Recovery(Amount in Crore)	Change	Growth rate%
1998-1999	1118.43		
1999-2000	1519.64	401.21	35.87260714
2000-2001	1661.61	141.97	9.342344239
2001-2002	1732.3	70.69	4.254307569
2002-2003	1920.31	188.01	10.85320095
2003-2004	1291.09	-629.22	-32.76658456
2004-2005	1465.75	174.66	13.52810416

In the above mention table we can see that BKB's loan recovery increase 35.87% from 1998-1999 to 1999-2000. In the next following year it increases by 9.34%. But it started decreasing in 2003-2004 by 32.76%. In 2004-2005 loan recovery increases by 13.528%. This rate of loan recovery is a good sign for the bank.



Growth rate



■ Growth rate

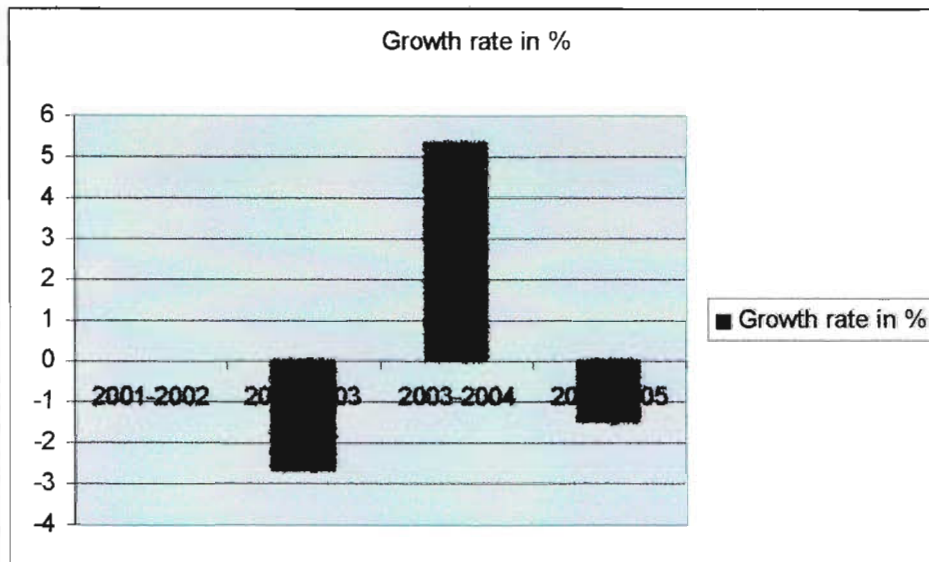
Growth rate
Percentage
cha

Sector wise Disbursement of credit

Table of Crops Sector Credit Disbursement

Table: 3.3.3

Year	Loan Disbursement(Amount in Crore)	Change	Growth rate in %
2001-2002	998.85		
2002-2003	972.28	-26.57	-2.660059068
2003-2004	1024.27	51.99	5.347225079
2004-2005	1009.01	-15.26	-1.489841546

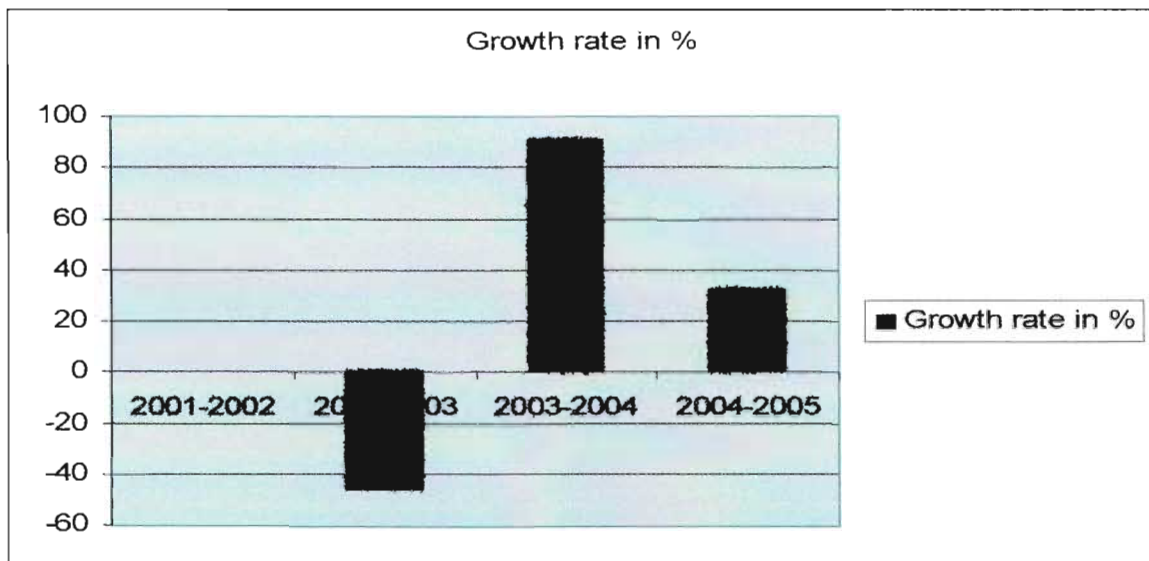


In the above mention graph we can see that from year 2001-2002 to year 2002-2003 loan disbursement decreases by 2.66% but it increases by 5.35% in the following year. In 2004-2005 loan disbursement decreases by 1.49% which is not a good sign for the bank.

Table of Fisheries Sector Credit Disbursement

Table: 3.3.4

Year	Loan Disbursement(Amount in Crore)	Change	Growth rate in %
2001-2002	68.36		
2002-2003	36.62	-31.74	-46.43066121
2003-2004	70	33.38	91.15237575
2004-2005	92.48	22.48	32.11428571

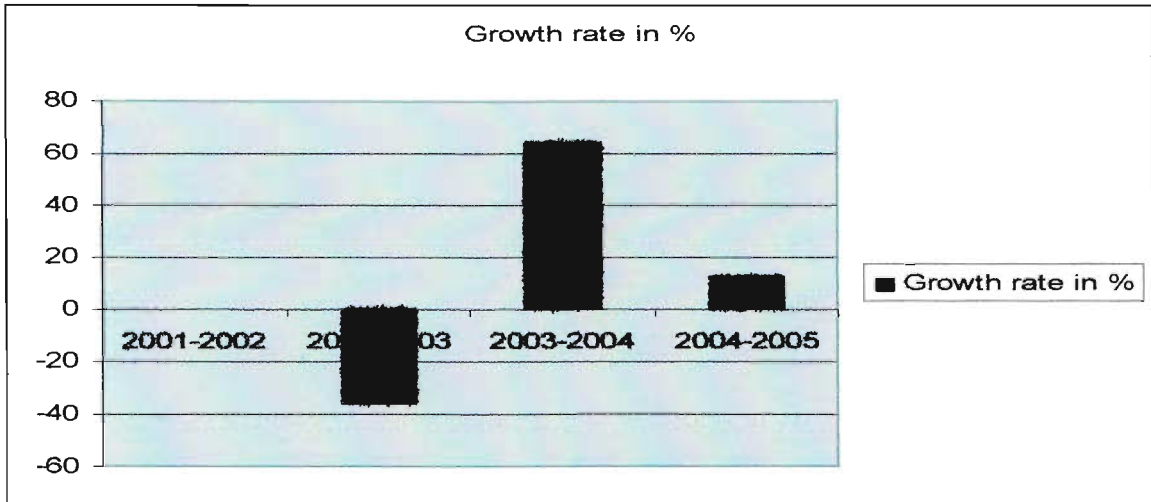


In the above mention graph we can see that from year 2001-2002 to year 2002-2003 loan disbursement decreases by 46.43% but it increases by 91.15% in the following year. In 2004-2005 loan disbursement increases by 32.14% which is good for the bank.

Table of Live Stocks Sector of Credit Disbursement

Table: 3.3.5

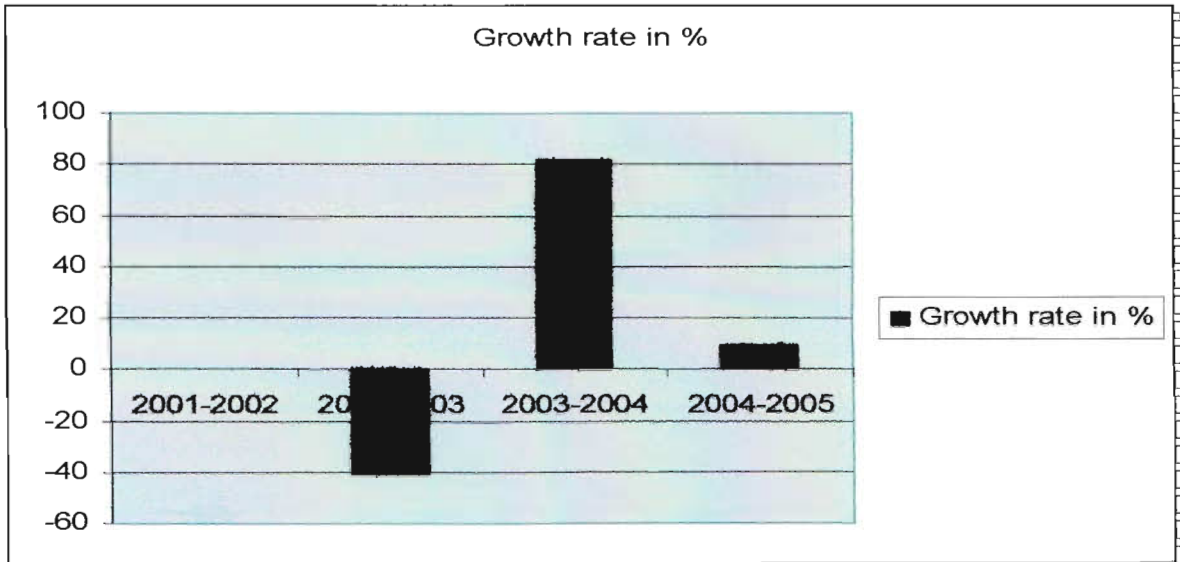
Year	Loan Disbursement(Amount in Crore)	Change	Growth rate in %
2001-2002	145.13		
2002-2003	92.86	-52.27	-36.01598567
2003-2004	152.41	59.55	64.12879604
2004-2005	172.12	19.71	12.9322223



In the above mention graph we can see that from year 2001-2002 to year 2002-2003 loan disbursement decreases by 36.016% but it increases by 64.13% in the following year. In 2004-2005 loan disbursement increases by 12.94%.

Table of Farm Machineries Sector Credit Disbursement
Table: 3.3.6

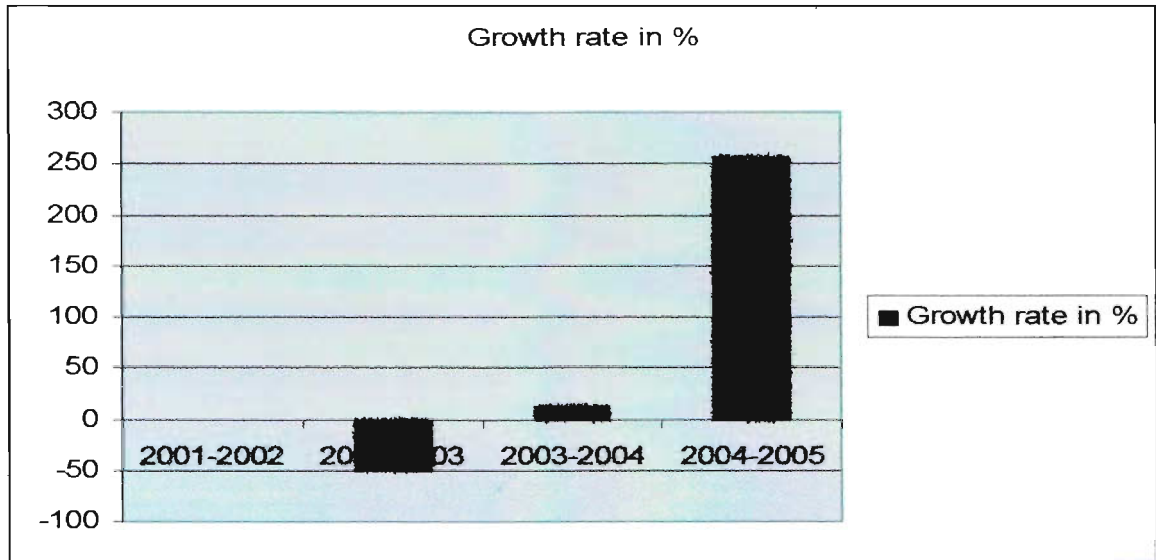
Year	Loan Disbursement(Amount in Crore)	Change	Growth rate in %
2001-2002	13		
2002-2003	7.63	-5.37	-41.30769231
2003-2004	13.88	6.25	81.91349934
2004-2005	15.19	1.31	9.438040346



In the above mention graph we can see that from year 2001-2002 to year 2002-2003 loan disbursement decreases by 46.31% but it increases by 81.91% in the following year. In 2004-2005 loan disbursement increases by 9.44%.

Table of Agro Based Industries Sector Credit Disbursement
Table: 3.3.7

Year	Loan Disbursement(Amount in Crore)	Change	Growth rate in %
2001-2002	125.68		
2002-2003	63.32	-62.36	-49.61807766
2003-2004	71.61	8.29	13.09222994
2004-2005	254.82	183.21	255.8441558

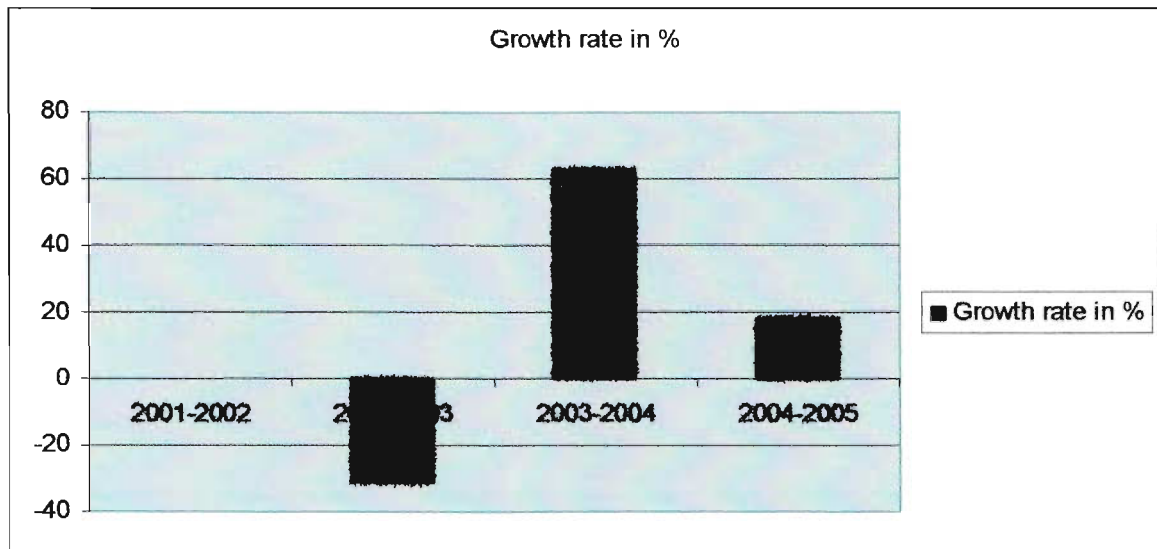


In the above mention graph we can see that from year 2001-2002 to year 2002-2003 loan disbursement decreases by 49.61% but it increases by 13.09% in the following year. In 2004-2005 loan disbursement increases by 255.84% which is a good sign for the bank.

Table of Continuous Capital Sector Credit Disbursement

Table: 3.3.8

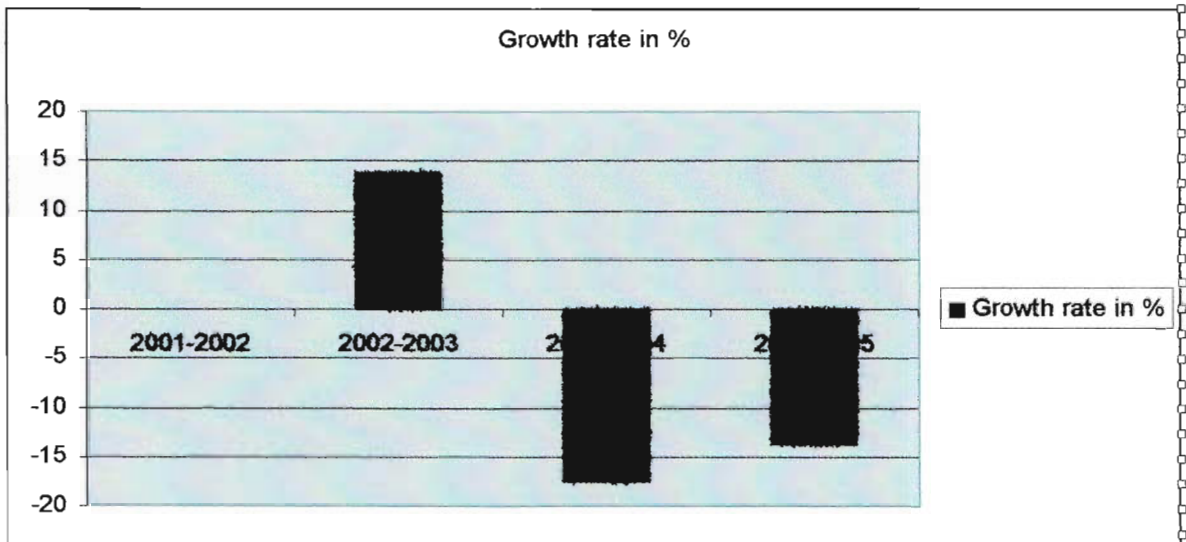
Year	Loan Disbursement(Amount in Crore)	Change	Growth rate in %
2001-2002	370.63		
2002-2003	253.69	-116.94	-31.55168227
2003-2004	413.59	159.9	63.0296819
2004-2005	489.62	76.03	18.38293963



In the above mention graph we can see that from year 2001-2002 to year 2002-2003 loan disbursement decreases by 31.55% but it increases by 63.03% in the following year. In 2004-2005 loan disbursement increases by 18.38% which is a good sign for the bank.

Table of Socio Economic Activities Sector Credit Disbursement
Table: 3.39

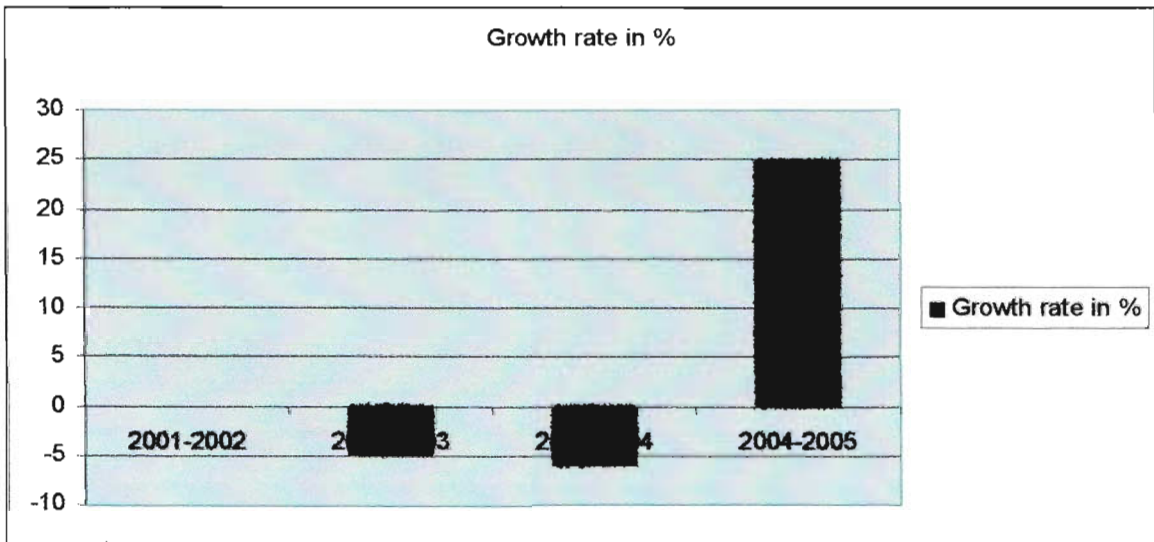
Year	Loan Disbursement(Amount in Crore)	Change	Growth rate in %
2001-2002	72.62		
2002-2003	82.56	9.94	13.68768934
2003-2004	68.16	-14.4	-17.44186047
2004-2005	58.86	-9.3	-13.6443662



In the above mention graph we can see that from year 2001-2002 to year 2002-2003 loan disbursement increases by 13.69% but it decreases by 17.44% in the following year. In 2004-2005 loan disbursement decreases by 13.64% which is a bad sign for the bank.

Table of Other Sector Credit Disbursement
Table: 3.3.10

Year	Loan Disbursement(Amount in Crore)	Change	Growth rate in %
2001-2002	168		
2002-2003	159.71	-8.29	-4.93452381
2003-2004	150.22	-9.49	-5.942019911
2004-2005	187.54	37.32	24.84356277

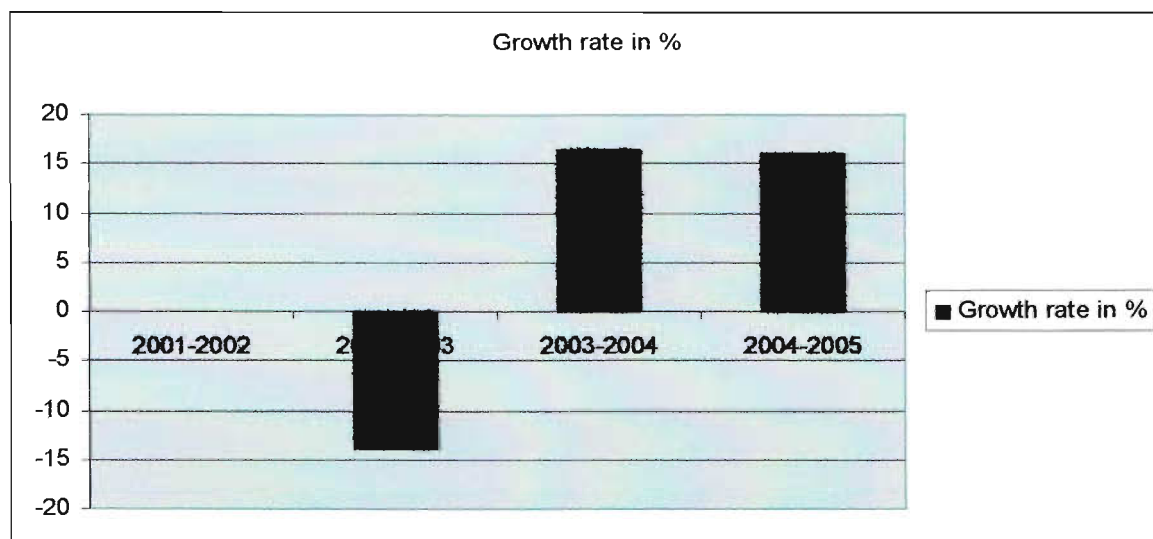


In the above mention graph we can see that from year 2001-2002 to year 2002-2003 loan disbursement decreases by 4.93% but it decreases by 5.94% in the following year. In 2004-2005 loan disbursement increases by 24.84% which is a good sign for the bank.

Table of Total Credit Disbursement

Table: 3.3.11

Year	Loan Disbursement(Amount in Crore)	Change	Growth rate in %
2001-2002	1962.19		
2002-2003	1688.67	-273.52	-13.93952675
2003-2004	1964.14	275.47	16.31283791
2004-2005	2279.64	315.5	16.06300977



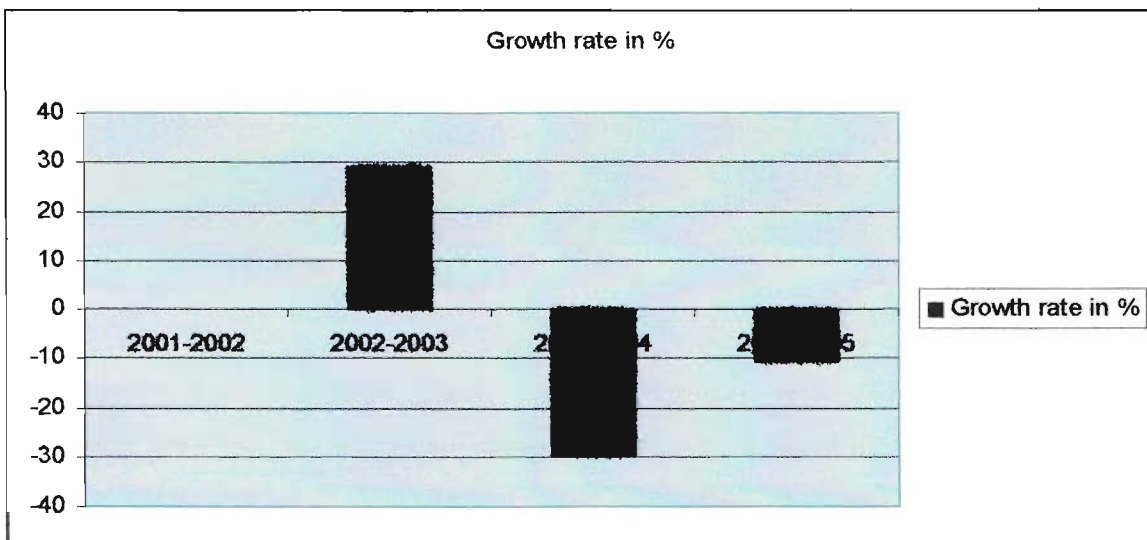
In the above mention graph we can see that from year 2001-2002 to year 2002-2003 loan disbursement decreases by 13.93% but it increases by 16.31% in the following year. In 2004-2005 loan disbursement increases by 16.06% which is a good sign for the bank.



3.4 Recovery of Credit

Table of Crops Sectors Credit Recovery
Table: 3.4.1

Year	Loan Recovery(Amount in Crore)	Change	Growth rate in %
2001-2002	896.08		
2002-2003	1154.98	258.9	28.8925096
2003-2004	810.14	-344.84	-29.85679406
2004-2005	723.12	-87.02	-10.74135335

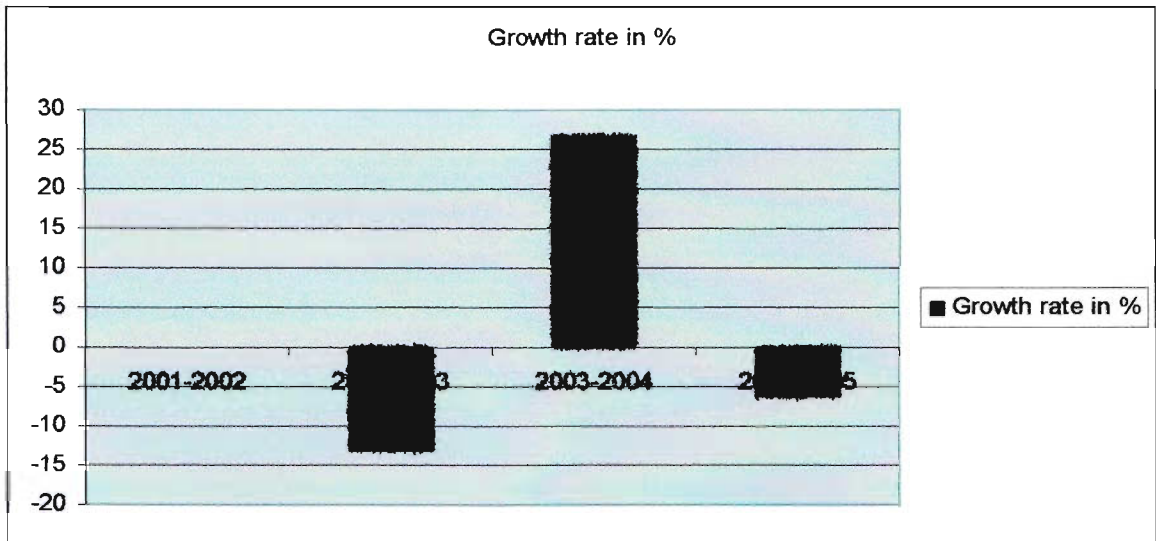


In the above mention graph we can see that from year 2001-2002 to year 2002-2003 loan disbursement increases by 28.89% but it decreases by 29.86% in the following year. In 2004-2005 loan disbursement decreases by 10.74%.

Table of Fisheries Sectors Credit Recovery

Table: 3.4.2

Year	Loan Recovery(Amount in Crore)	Change	Growth rate in %
2001-2002	25.17		
2002-2003	21.87	-3.3	-13.11084625
2003-2004	27.7	5.83	26.65752172
2004-2005	25.96	-1.74	-6.281588448

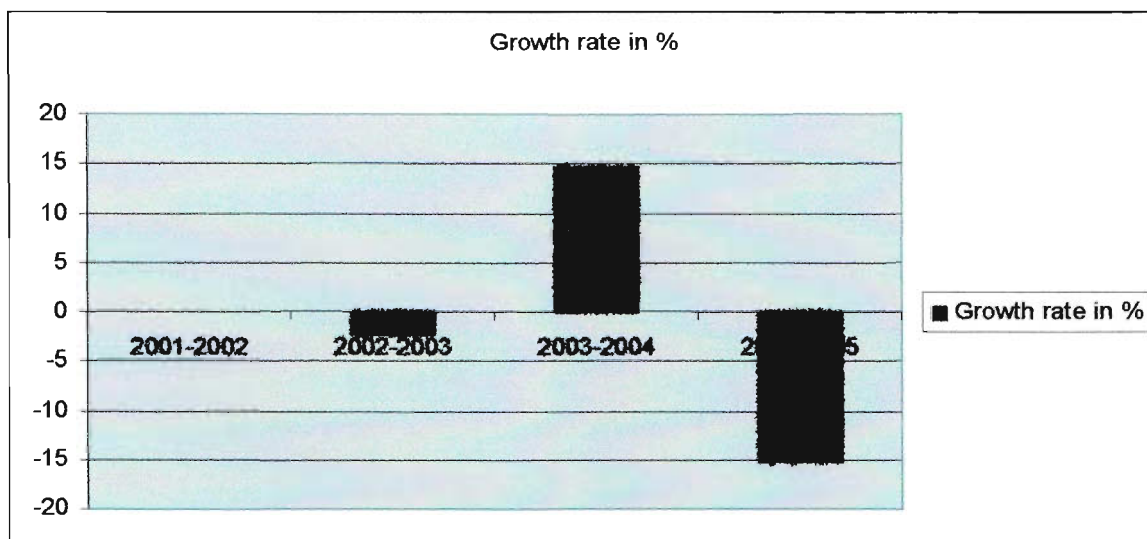


In the above mention graph we can see that from year 2001-2002 to year 2002-2003 loan disbursement decreases by 13.11% but it increases by 26.66% in the following year. In 2004-2005 loan disbursement decreases by 6.28% which is a bad sign for the bank.

Table of Live Stock Sectors Credit Recovery

Table: 3.4.3

Year	Loan Recovery(Amount in Crore)	Change	Growth rate in %
2001-2002	133.03		
2002-2003	130	-3.03	-2.277681726
2003-2004	149.01	19.01	14.62307692
2004-2005	126.24	-22.77	-15.28085363

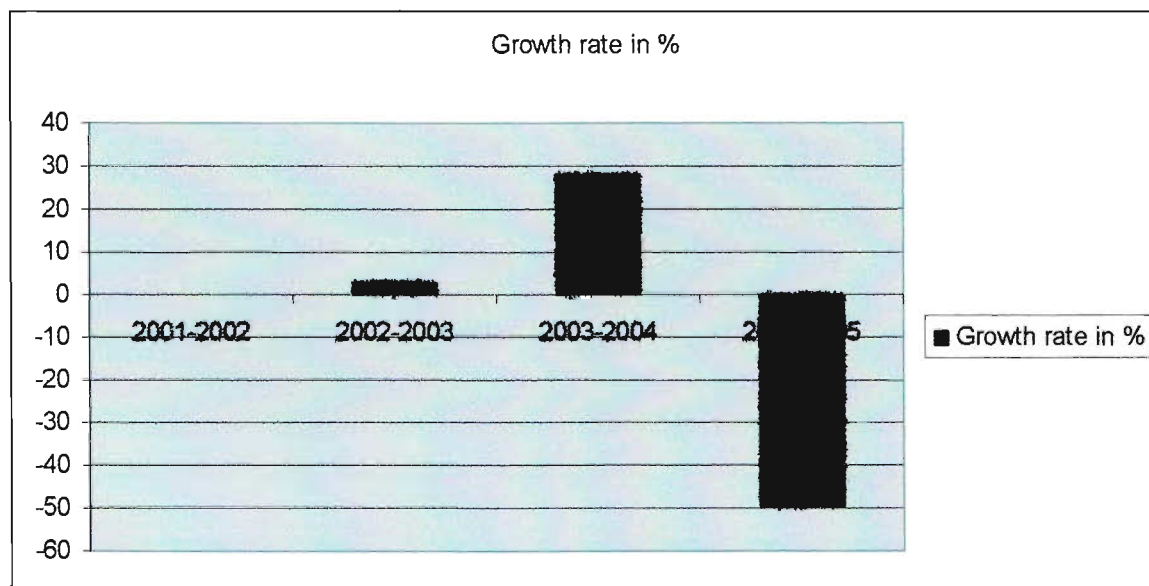


In the above mention graph we can see that from year 2001-2002 to year 2002-2003 loan disbursement decreases by 2.28% but it increases by 14.62% in the following year. In 2004-2005 loan disbursement decreases by 15.28% which is a bad sign for the bank.

Table of Farm Machineries Sector Credit Recovery

Table: 3.4.4

Year	Loan Recovery(Amount in Crore)	Change	Growth rate in %
2001-2002	15.99		
2002-2003	16.42	0.43	2.689180738
2003-2004	21.01	4.59	27.95371498
2004-2005	10.56	-10.45	-49.7382199

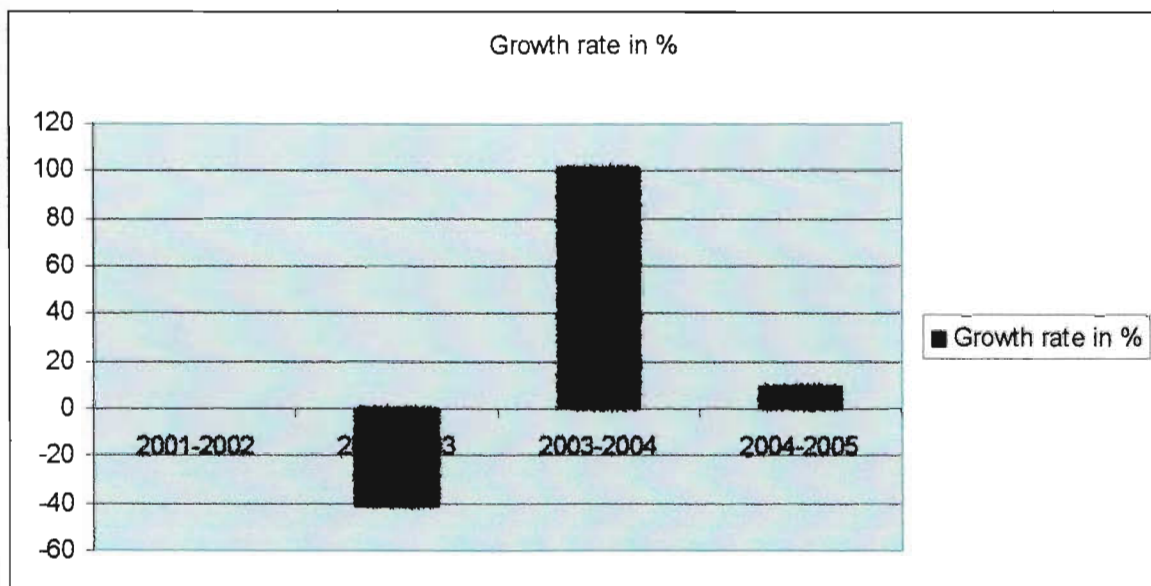


In the above mention graph we can see that from year 2001-2002 to year 2002-2003 loan disbursement increases by 2.68% but it increases by 27.95% in the following year. In 2004-2005 loan disbursement decreases by 49.73% which is a bad sign for the bank.

Table of Agro based Industries Sector Credit Recovery

Table: 3.4.5

Year	Loan Recovery(Amount in Crore)	Change	Growth rate in %
2001-2002	91.67		
2002-2003	54.01	-37.66	-41.08214247
2003-2004	108.6	54.59	101.0738752
2004-2005	118.7	10.1	9.300184162

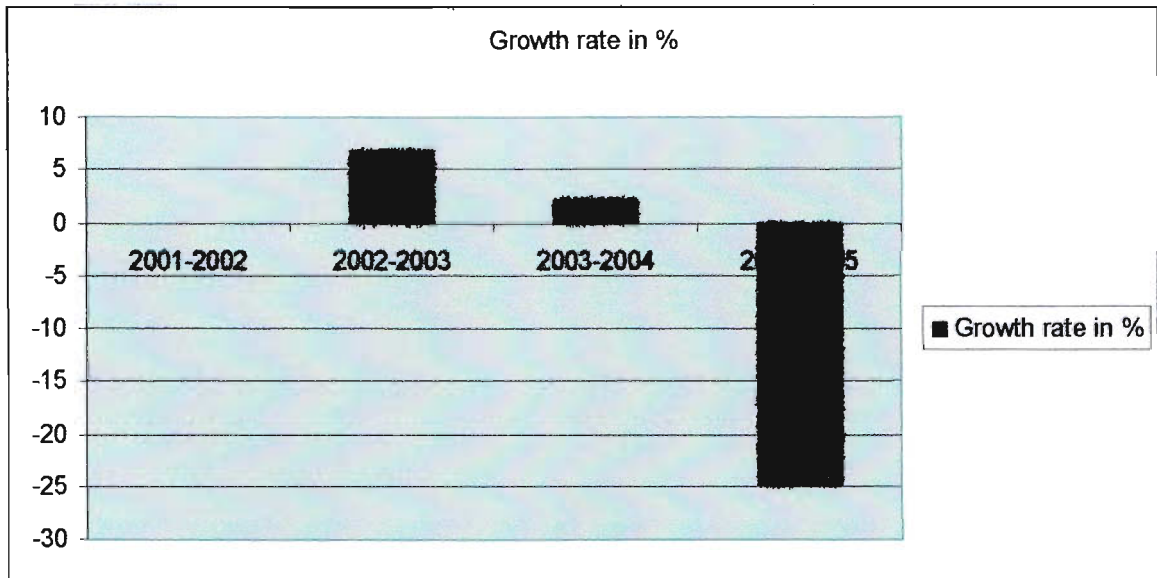


In the above mention graph we can see that from year 2001-2002 to year 2002-2003 loan disbursement decreases by 41.08% but it increases by 101.07% in the following year. In 2004-2005 loan disbursement increases by 9.30%.

Table of Continuous Capital Sector Credit Recovery

Table: 3.4.6

Year	Loan Recovery(Amount in Crore)	Change	Growth rate in %
2001-2002	240		
2002-2003	256.42	16.42	6.841666667
2003-2004	261.89	5.47	2.133218938
2004-2005	196.93	-64.96	-24.80430715

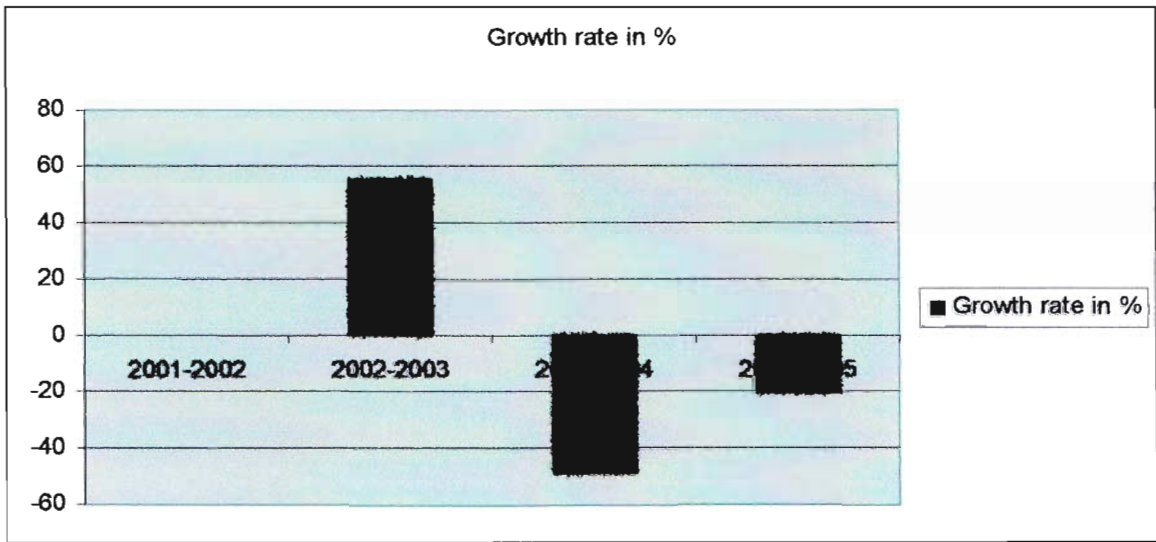


In the above mention graph we can see that from year 2001-2002 to year 2002-2003 loan disbursement increases by 6.84% but it increases by 2.13% in the following year. In 2004-2005 loan disbursement decreases by 24.80% which is a bad sign for the bank.

Table of Socio Economic Activities Sectors of Credit Recovery

Table: 3.4.7

Year	Loan Recovery(Amount in Crore)	Change	Growth rate in %
2001-2002	59.63		
2002-2003	92.69	33.06	55.44189167
2003-2004	46.8	-45.89	-49.50911641
2004-2005	37.27	-9.53	-20.36324786

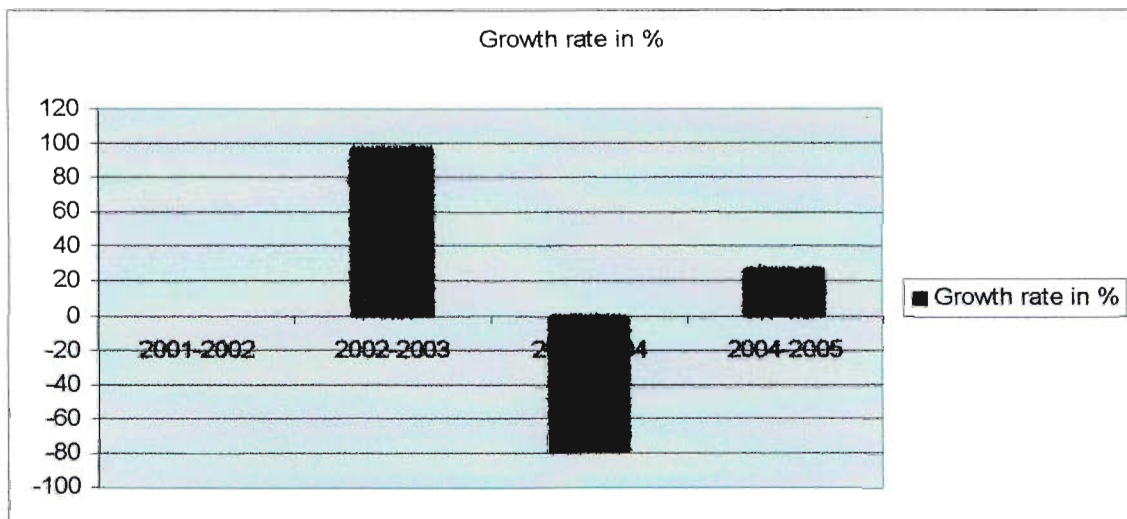


In the above mention graph we can see that from year 2001-2002 to year 2002-2003 loan disbursement increases by 55.44% but it decreases by 49.51% in the following year. In 2004-2005 loan disbursement decreases by 20.36%.

Table of Other Sectors of Credit Recovery

Table: 3.4.8

Year	Loan Recovery(Amount in Crore)	Change	Growth rate in %
2001-2002	98.31		
2002-2003	193.92	95.61	97.2535856
2003-2004	40.8	-153.12	-78.96039604
2004-2005	51.81	11.01	26.98529412

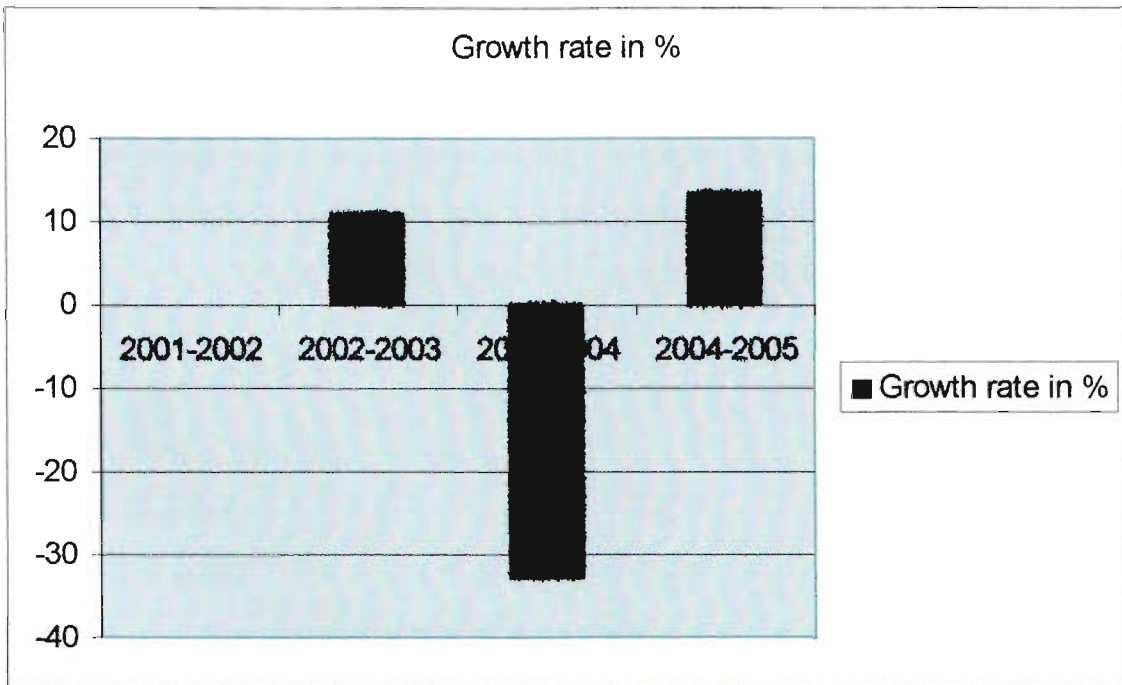


In the above mention graph we can see that from year 2001-2002 to year 2002-2003 loan disbursement increases by 97.25% but it decreases by 78.96% in the following year. In 2004-2005 loan disbursement increases by 26.98% which is a good sign for the bank.

Table of Total Credit Recovery

Table: 3.4.9

Year	Loan Recovery(Amount in Crore)	Change	Growth rate in %
2001-2002	1732.3		
2002-2003	1920.31	188.01	10.85320095
2003-2004	1291.09	-629.22	-32.76658456
2004-2005	1465.75	174.66	13.52810416



In the above mention graph we can see that from year 2001-2002 to year 2002-2003 loan disbursement increases by 10.85% but it decreases by 32.76% in the following year. In 2004-2005 loan disbursement increases by 13.528% which is a good sign for the bank.

3.5 Classifications of BKB's credit disbursement

The total credit disbursement of BKB can be classified into three major groups these are:

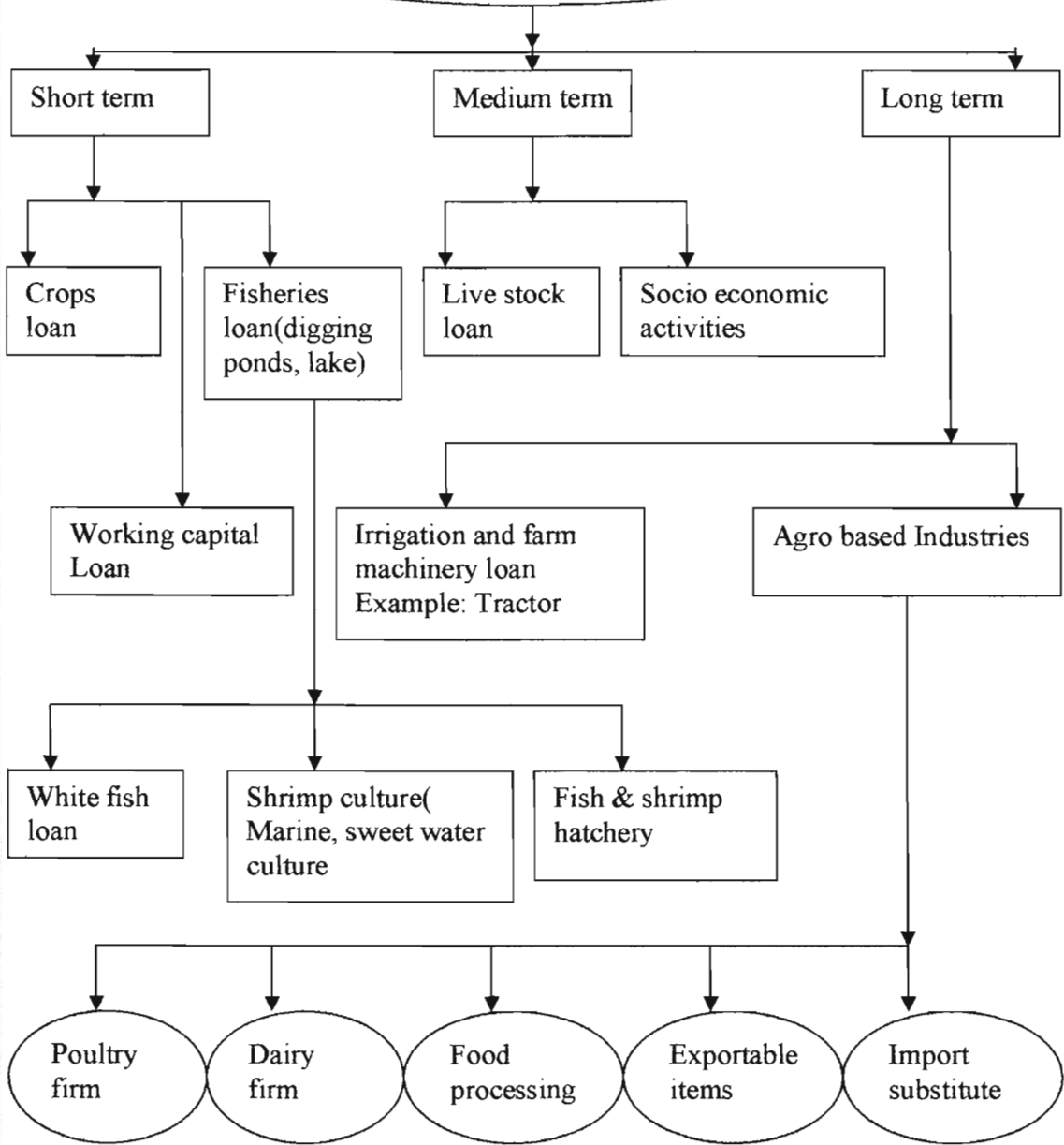
- 1. Short term loan**
- 2. Medium term loan**
- 3. And long term loan**

But for the purpose of making diversification modernized as and marketing oriented of agriculture and above all for the improvement of living standard of the rural people BKB has determined seven crucial sector for the loan disbursement considering their possibility and labor intensive. These are shown below:

- ◆ **Crops**
- ◆ **Fisheries**
- ◆ **Live stock**
- ◆ **Agricultural product & equipment**
- ◆ **Agro based industries**
- ◆ **Continuous loan**
- ◆ **Micro credit**



Classification of Credit



3.6 Discussion on BKB's Credit Disbursement Program

- 1. Short term loan:** Bangladesh Krishi Bank provide such loan to all sort of people, especially the poor and marginal farmer as well as low income people for the very short term basis. The duration of this loans are 1 to 18 months. Such loans are Crop loan, Continuous loan, Fishery loan.
- 2. Medium term Loan:** BKB provide such loan for the period of 18 months to 5 years.
- 3. Long term Loan:** This loan is provided for the period of 5 to 10 years.

Now we will discuss about some of the popular sector of BKB loan in short:

► **Crop Loan:** In case of providing crops loan BKB's playing premier role from its inception. The major feature of this loan disbursement are-

- ◆ Out of total annual allocation of loan portfolio, BKB assign for crop financing.

- ◆ This program covers all the seasonal crops produced in the country.

- ◆ The rates of interest for this sector is 8%.

- ◆ All sorts of farmer including marginal farmer are also eligible for the loan.

Crop Sector

Name of crops	Target of the year	Loan Disbursement		Loan recovery
		No. of borrower	Amount (in Corer)	
Ropa Aman	Tk.760775.00	91811	Tk.866377.00	Tk.8633911.00
Rabi Crops	Tk.5203900	392293	Tk.4485527.00	Tk.4211951.00
Consumer crops	Tk.619450.00	79394	Tk.823829.00	Tk.655663.00
Fruits	Tk.598150.00	92337	Tk.1659522.00	Tk.921333.00
Other cash crops	Tk.200500.00	15304	Tk.289552.00	Tk.127589.00
Tea production loan	Tk.167955.00	43	Tk.1887311.00	Tk.1683390.00
Tea development loan	Tk.73000	44	Tk.143452.00	Tk.82627.00
Total	Tk.7623730	671226	Tk.10155570	Tk.16316464

► **Fisheries loan:** To accelerate fish production BKB provides various types of credit for-

- ◆ Excavation and re-excavation of ponds.
- ◆ Development of marshy lands.
- ◆ Establishment of fish hatcheries and
- ◆ New fisheries project.

In this case, credit are given in the following sub- sector:

(a) White fish

- ◆ Fish culture in existing pond/ tank
- ◆ Fish culture by re- excavation of old or derelict tank or tank.
- ◆ Fish culture by excavation of new tank.

(b) Shrimp culture

- ◆ Shrimp culture in traditional system.
- ◆ Shrimp culture in scientific system.
- ◆ Shrimp culture in semi- intensive method.
- ◆ Prawn culture in sweet water(Galda).

► **Irrigational and farm machineries.**

In this case BKB provide both medium term and long term loan for higher and quality production. In this situation BKB provide medium term loan for-

- ◆ Purchasing power tiller, tractor low deep tube-well, low lift pump etc.
- ◆ The rate of growth in the financial year is 9.44%(According to BKB's accounts).

► **Agro-based industries**

◆ BKB basically provide long term credit in this sector. The fundamental purpose of providing credit in this sectors are-

- i) Development and expansion of agro- based industries
- ii) Reduce import costs I case of purchasing various fruits and vegetables.
- iii) Produce import substitute.
- iv) Create large employment for a huge numbers of unemployed people.
- v) Reduce trade gaps with the neighboring countries, especially with India.
- vi) Meet the house hold as well as changing various fruit based products such as Juice and various drinks.
- vii) Encourage people for being self-relent.

► **Food processing Project**

These types of Credit are

- (i) Fruit based food preparation, processing, preservation and marketing.
- (ii) Flour, Bread & Biscuit vermicelli, noodles, Chips, Corn flakes, etc.
- (iii) Juice, Jam Jelly, Tomato Ketchup, Sauce etc. Production and Marketing.
- (iv) Small processing industries at firm level.

◆ **Exportable Items:**

Exportable items credit includes the following items. These are mention below:

- (a) Fish processing including Freezing plant, Dehydration plant, Salting and dehydration of Jew fish.
- (b) Leather process and leather based products.
- (c) Projects for furniture making.

◆ **Import substitutes:**

- (a) Spinning mills (Cotton processing)
- (b) Fish net or net thread production.
- (c) Insecticide production.
- (d) Garments accessories (Garments allied industries like washing plant, packaging etc.

(e) Organic fertilizer, mixed fertilizer, urea super granules production & marketing.

(f) Bio-pesticide, Neem based pesticide production.

► **Cash credit or Continuous loan**

BKB finance this loan only for short term basis. There is huge demand of this loan because of-

- Continuous operating cost in industries and factories.
- Low interest rate
- Facility in withdrawing money at any time of the banking hour.

► **Socio- economic activities**

Over the last one decade this sector has one of the most top priority sector of BKB's loan financing after Crop financing. This sector is known as micro-credit. BKB's initiated micro credit programs have been designed to cover all segments of poor population whether-

- Skilled or unskilled such as small or marginal farmers.
- Landless laborers.
- Destitute women.
- Disabled person
- Unemployed youth
- Rural artisan etc.

► **Micro credit program under Poverty alleviation:**

[] Credit program for landless and marginal farmers.

[] This micro credit program of BKB was launched with BKB's own fund in 1992-1993 financial years through its all branches.

[] About 1388928 beneficiaries have provided with Tk.9949.00 million since its inception.

[] Person or peasant having not more than 1.5 acres of cultivate land and annual income of highest Tk.25000 are eligible for getting credit under this program.

[] After information of groups and obtaining training the groups and obtaining training the members get credit without any collateral security.

[] Under this program, the interest rate for the landless and marginal farmer is 10%.



► **Swanirvar Credit Program:**

[] Under the micro credit program BKB has been implementation Swanarvir Credit program without collateral security since 1979.

[] Under the swanirvar credit program the beneficiaries who have maximum .40 acres of cultivable land and maximum annual income Tk.20000 are capable of getting credit.

[] Under this program the maximum credit amount is Tk.1000 for per member.

[] In this case credit is collateral free but group guarantee for each other is needed.

[] This program consists of 10% rate of interest.

[] Till the financial year of 2004-2005, about 258016 beneficiaries have been provided with Tk.1197.30 million since it's inception.

► **Small farmers and landless labor's development project:**

[] This micro credit program is being implemented jointly by BARD & BKB from 1995 through 21 branches under 6 region of Bangladesh Krishi Bank.

[] The objectives of this project are to increase production, employment creation and increase income of the small and landless farmer and laborers through: Formation of small groups, Generation of own capital.

[] Provision for capital support for undertaking various income generating activities.

[] Number of beneficiaries under this program small farmer and landless laborers who have maximum .50 acres and .50-1.5 acres cultivable land are eligible for having the loans.

[] Under this program interest rate is 15% of which 10% for BKB and 5% for BARD

[] From its inception 28236 beneficiaries have been provided Tk.193.80 million.

▶ **South Asia poverty Alleviation Program:**

◆ BKB's this program was launched on the basis of Dhaka conference of SAARC countries in 1993.

◆ This program is a joint venture with UNDP.

◆ It is an area based credit program and only Kishorganj Sadar upazila is the command area of this program.

◆ It is miss the BKB's own financed program and in this case UNDP do the following:

- (i) Organize the beneficiaries
- (ii) Trait them and
- (iii) Finally recommends the loan

◆ The maximum credit limit is Tk.25000 for per beneficiaries.

◆ Number of beneficiaries under this program is about 36179 which total amounts stand 325.50 million since its inception.

► **United Nations Capital Development fund**

◆ This program started in 1983 with the objectives of financing Rural as well as cottage industries.

◆ This is joint venture program with BKB Basic and UNCDF.

◆ This program covers 29 district and its rate of Interest is 10%-14%.

◆ It's a collateral free credit.

◆ About 21439 beneficiaries have been provided with the Tk.110.50 since its Inception.

► **Rural women Employment Creation project ADB loan No. 1067 BAB (SF)**

◆ This is a joint project of BKB started in 1993 for the purpose of employment creation for poor women in the rural areas.

◆ Department of Women Affairs(DWA)- 19 NGOs in 12 upazillas and BKB jointly implementing this project.

◆ This project is also collateral free and interest rate is 12%.

◆ About 72266 beneficiaries have been provided with Tk.1424.60 million from its beginning.

► BKB NGO micro Credit Program

This program is replication of rural women employment creation project (RWCEP) and in this case NGOs organizes individuals into groups provides them training and recommends for credit.

◆ BKB provides credit from its own fund.

◆ This is also a collateral free credit and interest rate is 12.5%.

◆ About 18319 beneficiaries have been provided with Tk.143.10 million since its inception.

► Credit under National poverty alleviation program through Goat Rearing.

◆ BKB s this program have been introduced in 2002 aiming to eradicate poverty through goal rearing.

◆ This is also a collateral free credit of BKB and its interest rate is 10%.

◆ About 12671 beneficiaries have been provided with Tk.115.70 million since its inception.



► Milching Cow credit program for the women

◆ This program was initiated in 1997.

◆ Under this program one village of a branch area is selected and one women from each is selected and one women from each family of the selected village is eligible to get this credit facility.

◆ In this project an applicant gets maximum Tk.10000 to purchase a calf and its interest rate is 8%.

◆ This is also a collateral free supervised Credit.

► Special micro credit program for the disabled

◆ This program has been introduced in 2002 for the purpose of income generation and development of socio-economic condition through employment creation for the disabled person.

◆ It is also a collateral free credit and Interest rate is 10%.

◆ About 75 beneficiaries have been provided with Tk.1.00 million since its inception.

► Micro Enterprise development for the monipuri (MEDM) credit program

◆ Program was launched in 2003 aiming to provide working capital credit to handloom industry operated by Monipuri women.

◆ This is also a collateral free credit program provided from the bank's own fund and interest rate is 10%.

◆ About 105 beneficiaries have been provided with Tk.2.3 million since its inception.

► Special credit program for the Rakhains under the district of Cox's Bazar

◆ This program was launched in 2003 for the purpose of providing working capital credit for producing: Handloom and cottage industrial products and its marketing.

◆ Collateral free credit program with interest rate is 10%.

◆ Number of beneficiaries 385 with the 8.10 million since its beginning.

► Tree plantation program

◆ In 2002 and 2003 BKB launched 8 tree plantation program.

◆ Credit under this program is collateral free upto Tk.25000 with interest rate is 8%.

◆ Number of beneficiaries are 4800 provided with Tk. 153.10 million since its inception.

► **Establishment of breeding farm of black Bengal goat program**

◆ Under this program a farm comprising 50 goats is considered as a small farm and a farm comprising 51-200 goats is considered as a big farm.

◆ The loan is medium term and credit limit is Tk.30000 for a small farm.

► **Community Based resource management project**

◆ This project started in 2003-2004 fiscal year.

◆ It's a joint venture project of BKB, IFAD and department of LGRD of GOB.

◆ This project has five following components. This are:

1. Infrastructure development.
2. Development of fisheries.
3. Crop and livestock development.
4. Grass roots institutional development.
5. Finally small credit Bangladesh Krishi Bank deals with small credit component of the project.

◆ Bank provides both short term and medium term loan. For the short term they maximum granted credit is Tk.14000 for each member and for the medium term the maximum amount is Tk.27000 for each members.

◆ Its is also collateral free credit with Interest rate of 15%.

► **Poverty alleviation through production and improvements of sheep**

◆ This is a government directed program launched in 2004-2005 fiscal year.

◆ Under this program credit amount upto Tk.50000 with collateral free and rate of interest is 8%.

► **Others**

◆ In addition to above these major sectors BKB also finances various types of credits for various purposes. And during the fiscal year of 2004-2005. BKB's allocated amount Tk.1785400000 out of total target Tk.20000000, which is Tk. 373200000.00 higher than the previous year.

◆ The amount of recovery during these fiscal year is TK.518100000.00



3.7 Main objectives of BKB's credit financing are given below

- ▶ Create employments opportunities through income generating activities.
- ▶ To empower the Rural women's to established their own rights.
- ▶ Improve the living standard of the rural people.
- ▶ Alleviate poverty of the poor people.
- ▶ To make easy access to institutional credit facilities and resources.
- ▶ Mobilize rural savings.
- ▶ To make optimum utilization rural resources.
- ▶ Engage inactive human resources of the rural areas in productive and economic activities.
- ▶ To eliminate exploitation done by money landers.

Chapter 4

Key Profitability ratio analysis Of BKB

Bangladesh Krishi Bank is a who are not a listed company of Stock Exchange. That's why they don't publish Annual report in every year. This bank publishes their last annual report in 2002-2003.

Other year financial information is taken from Internet which are available in Brief form. Based on that information the following table are made and based on the table we calculate the key profitability ratio of the bank.

Items	Year	Year	Year	Year
	2005	2004	2003	2002
Net income after tax	-1844006960	-1407621586	-1332812995	-1920724120
Total Asset	95284033643	87416506501	82173238411	79302591160
Net interest income	3426060585	3758337705	3909588841	3432980031
Net non-interest income	497382854	440115641	380879171	354703420
Total Operating Revenue	152396446	422546938	355490963	-369845031
Total Operating expense	1996403406	1830168524	1688303958	1550879089
Non performing Loans	24788896000	24374732000	25838800000	27021849000
Total Loans	65674740496	59792650626	56786988000	55035178000

Key Profitability Ratios In Banking

Item	2005	2004	2003	2002
Return on Asset(ROA)	-0.02	-0.02	-0.02	-0.02
Net interest Margin	0.04	0.04	0.05	0.04
Net non-interest Margin	0.01	0.01	0.00	0.00
Net Bank Operating Margin	-12.10	-3.33	-3.75	5.19

Returns on Asset (ROA) in the last 4 years were constant in nature. It indicate that the effectiveness of management in generating profit were not improve yearly. It may be happen for conservative approach of the management they are not willing to take risk in their decision to improve or facing challenge of the competitors.

Net bank operating margin were good in 2002 but it start decreasing from the next year and in 2005 it stand -12.10 which indicate the bank expenses are increases by substantial amount in comparison their income doesn't increase that much. Management should look after carefully to improve the performance of the employee to operate the bank in profitable way.



Chapter 5

Strength and Achievement of BKB

Finding of the research the role and achievement of BKB's credit disbursement can be discussed below:

1. BKB's strengths/Achievements in Credit Financing
2. BKB's weakness in Credit Facing Problem Disbursement
3. More new option/Opportunities Credit Disbursement and
4. Finally Possible Trends/ Risks in Credit Financing

Now these are discussed below

Achievement/Strength in Credit Financing at a Glance.

From the view point of Strength.

- No doubt, Bangladesh Krishi Bank is the largest credit provider in our agriculture sector alongside in the building infrastructure as well as the development of all kinds of agri-related products and industries.
- BKB is the largest credit provider in corps sector and about 60% is provide by them out of total credit in disbursement in Bangladesh.
- Making new opportunity in increase corps and decrease import of agricultural products have been possible in great part due to having flexible verdict drawing facility by the poor and the marginal farmers.
- Still now price level of various agricultural products have been possible tom keep up in purchasing power of the common people despite having the price fluctuation of dollar in regular interval only due to flexible credit financing by the Bank.
- Today's various profitable agri-based industries as well as projects have only been possible due to low interested-base verdict

- Recently, increasement of huge borrowers, especially in Micro-credit Financing is one of the great achievement of BKB alongside various dominant NGOs like Grameen Bank, Care Bangladesh Ltd. Etc.

From the view point of achievements:

BKB's achievements as well as contribution in credit disbursement in various sector and involvement in various social commitment have been outstanding since its inception.

The major achievements by BKB in credit financing are as follows:

Achievement in Crop Credit:

- Like all previous fiscal years, during the previous fiscal years of 2004-05, BKB only is the top credit distributor in agriculture and it is Tk.2272-64 crore out of total target Tk.3000.00 Crore and it is Tk.315.5 than the previous year.
- The increase rate in this fiscal year is 17%.
- The recovery of total credit disbursement in this fiscal year (2004-05) is Tk. 1465.75 crore which previous fiscal year.
- Although the credit disbursement in the fiscal year(2004-05) is TK. 15.26 crore less than the previous year which was Tk. 1024.27 crore , but number of beneficiaries is much higher in the recent fiscal year and it is 90572 higher than the previous year.

Achievements In Fisheries:

- In fisheries, the credit disbursement is Tk. 22.48 higher in current fiscal year than the previous year.
- The rate of incensement in fisheries in the year almost 33%.
- The recovery rate in fisheries is 29% in which recovery is Tk.25.96 crore out of total disbursement Tk.92.48 crore.
- The number of beneficiaries is 1701 higher than the previous fiscal year and higher in shot term loan disbursement which is 15026 in this year.

Achievement in Live Stock:

- In live stock sector, Tk.(172.12-152.41) = Tk.19.71 crore is higher in this & (2004-05) Fiscal year's credit disbursement which is 13%
- The rate of recovery in Live Stock is 74% in this fiscal year, and it is 23% less than the previous year.
- The incensement in the number of beneficiaries in Live Stock is 5530

Achievement in Farm Machineries:

- In the sector of Farm Machineries. The increase credit disbursement in this fiscal year (2004-05) is Tk (15.19-13.88) = Tk.1.31, which almost 10% incensement than previous year.
- The recovery amount is almost outstanding and it is Tk. 10.56.
- The incensement in the number of beneficiaries in Farm Machineries is 636, in which beneficiaries in short term Credit is much higher which are 2862 and 1867 in the current and in the previous year respectively.

Achievements in Agro-based industries:

- In agro- based industries the incensement in credit disbursement is TK(254.82-71.61) = TK.183.21 crore in this fiscal year (2004-05) than the previous year.
- The recovery of credit in this sector is also outstanding and it is TK.108.70 crore in the fiscal year 2004-05.
- The number of beneficiaries in Agro-based industries have been decreased a little number and it 22 in 228.

Achievement in cash/ Continuous Credit:

- In this sector the amount of disbursement in this year is the highest than the last couple of years and it is TK.489.62 crore in this amount is TK(489.62-413.59) TK. 76.03 higher than the previous year .
- The rate of incensement is disbursement is 19%

- The amount of recovery in this sector for the year of recovery in this sector for the year of 2004-05, is Tk. 196.33 crore, which is TK (261.89-196.93)- Tk. 69.96 than the previous year.
- The number of beneficiaries in cash credit has increased in 177362 in which beneficiaries of working capital is such higher and it is 179530 in this year.

Achievement in Socio-Economics Sector: and Micro-credit Sector

- In this sector the total credit disbursement in the fiscal year 2004-05 is Tk. 58.86 crore, which is TK.(68.16-58.86) = Tk. 9.3 less than the previous year.
- The amount of recovery in this year is Tk.3727 crore.
- The number of beneficiaries have decreased in this fiscal year (2004-05) are (73425-64654) = 8771

Achievement in other:

- There are some various sector in which the increased disbursement in TK(187.54-150.22) = Tk 37.32 in the fiscal year of 2004-05 than the previous year.
- The rate incensement than the previous year is almost 25%.
- The number of beneficiaries have decreased in the fiscal year are 2449.
- There are the major achievement of BKB's credit Disbursement

Chapter 6

Problems

Problems in BKB's credit disbursement can be pointed out mainly from two view points.

These are-

- Problems from the view point of Borrower
- Problems from the point of view of Bank itself.

6.1 General problem

Basically there have been certain major problem in Bank's credit disbursement since its inception which are applicable to mostly for borrowers as well as bank it self. These are pointed out below:

- In case Corps Credit, BKB cannot provide credit to those farmers who are not the actual owner of the land or in another words who are known as " Barga Chashi", because according to bank credit disbursement rule in this case it requires the actual owner of te land and the necessary document as collateral for providing credit
- After the national credit such disaster, credit provided to poor and as well as marginal farmer are heavily misused by political leaders, especially who remains in power.
- Some times village leaders such village chairman with his nourished terrorists dominants on the poor farmers in various issues of credit borrowing with the help of influent political leaders.
- In case of live stock credit, financing credit for purchasing single cow or a goat for a particular man or financing a particular man for poultry farm rather than dairy or poultry industries-based providing loan is more profitable because in a dairy or poultry industry death rate of domestic animals is much higher than a signally- handed or dairy firm.

- In fisheries bank is unable to provide loan where pond is belong to several ownerships. In this case like corps credit bank needs actual or single ownership and necessary documents as collateral including pond.

These are the major hindrance for BKB to providing loan to its clients.

6.2 There are some specific problems faced by bank and borrowers individually.

A) From Borrowers' point of view

- Bank does not provide credit to those who are indulged in anti-social activities such as terrorism, drug- addicted etc.
- Clients, who have the record as loan defaulters, for several times or listed defaulters, are also not entitled to have the credit facilities by bank.

B) From the Bank's point of view:

- Although BKB's micro-credit program has created an outstanding impact on the poor farmers as well as small entrepreneurs but the bank could have made much progress if it could provide enough manpower its supervising activity like Grameen or other NGO's
- In some Micro-Credit Programs BKB's interest rate is a little bit higher which is very costly for the poor farmers for repayment.

Although having large credit disbursement programs BKB's still has some potential opportunities which are not being implemented due to

- Poor management
- Traditional Excessive Government Control

6.3 Threats :

There are also some areas which might be threatening for BKB's existing in the competitive businesses. These are

- To take proper as well as feasible initiatives in various Micro Credit programs to make them competitive as well as more demanded to the mass people especially for the poor and marginal entrepreneurs because in this case Grameen exchanging their programs day by day.

Chapter 7

Recommendations and conclusions

Bangladesh Krishi Bank is the largest in the disbursement of Agricultural loan. Through out the analysis of whole report on BKB's growth rate, roles & achievement in Credit disbursement programs I have been able to find out some fundamental pre-requisites for better updated as well as profitable Credit disbursement programs both for the bank as well as for the beneficiaries.

7.1: Recommendation for the Bank itself-

- In case of Crops loan bank is unable to provide loan to “Borga Chashi” being not entitled the actual ownership of the land, can offer credits to the owner of the lands with a minimum interest rate with a short term installment basis. As a result such types of owner would be encouraged to take credit facilities for all kinds of crops, which would in turn diverse the banks credit program in this sector generating huge profit.
- In Micro credit program BKB should deploy more man power in its supervision for introducing more potential package programs and highlight the importance of the existing program so that common as well as marginal incoming people get convinced to have the facilities and benefited.
- Some Micro-credit program of BKB such as Rural Women Employment creation project and ADB Loan No 1067 BAN(SE), BKB-NGO Micro-credit program etc is a little costly for the poor and marginal incoming people, should be minimized.

◦ BKB should come forward toward more investing in Agro-based industries so that import substitutes can be minimized.

◦ In the recovery of credit the management of BKB should be more dynamic and introduce flexibility as well as up to date procedures to meet the demand of the customer.

◦ In case of Agro based Industries loan and Continuous Credit etc On-line Credit disbursements program should be introduced.

◦ In some disbursement programs such as Agro-based industries loan. Continuous credit etc. On-line credit disbursement program should be introduced.

◦ More transparency, accountability as well as complete professionalism should be ensured in credit disbursement by various branches by the bank.

◦ Corruption, undue political pressure should be eliminated for smooth operation of credit programs.

◦ Government intervention should be tolerable level in proper credit disbursement program.

7.2 Recommendation for Beneficiaries:

- Borrowers should repay their loan in time so that banks faiths keep intact on them.
- Borrowers should present of all kinds of documents and necessary papers to bank before having the credit facilities so that any kind of complexities can be avoided for both parties.



Conclusion

Through the completion of my research topic I have been able to know their actual scenario of credit disbursement and what they have achieved in the sector since BKB's inception as well as what they have lacking and problems credit disbursement and recovery, and finally I've tried to give some potential suggestions in this regard.

APPENDIX AND BIBLIOGRAPHY

Appendix and Bibliography:

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